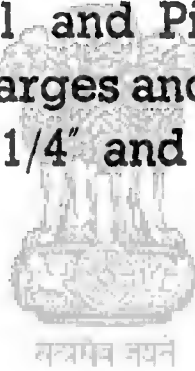




GOVERNMENT OF INDIA
TARIFF COMMISSION

Report on the Revision of Retention
Prices of Steel and Pig Iron and on
Conversion Charges and Fair Retention
Prices for 1/4" and 3/16" Rods



Produced by
Mysore Iron and Steel Works, Bhadravati

BOMBAY
1958

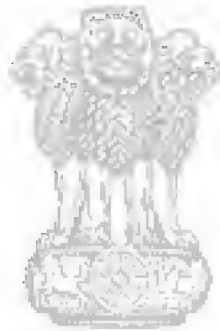
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GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES & FUEL
(DEPARTMENT OF IRON & STEEL)
RESOLUTION—PART I

New Delhi, the 31st October, 1958.

No. SC(A)-2(227)57.—In their letter No. 63(3)-TR/58 dated the 15th January 1958, Government of India in the Ministry of Commerce and Industry requested the Tariff Commission to examine the representation of M/s. Mysore Iron & Steel Works, Bhadravati, regarding increase in their manufacturing cost of steel and pig iron, in terms of the recommendation contained in para 10.2 of the Tariff Commission's Report (1956) on fair retention prices (ex-works) of steel and pig iron produced by the Mysore Iron & Steel Works, and to make recommendations on the revision of the retention prices payable to them. The Tariff Commission, having conducted its enquiry, has submitted its report. Its main conclusions and recommendations are as follows:—

- (i) The average retention prices for steel payable to the Mysore Iron & Steel Works for the period 1st April 1955 to 31st March 1959 should be increased by Rs. 42 per ton, on a weighted average basis ;
- (ii) The average retention prices for pig iron of all grades payable to the Mysore Iron & Steel Works for the period 1st April 1955 to 31st March 1959 should be increased by Rs. 6 per ton on a weighted average basis.

2. The Government of India consider that as the increase in excise duty on steel ingots came into effect only from 16-5-1957, it would not be appropriate to allow this element in the retention price for steel for periods prior to this date. It has therefore been decided that the excise duty element should not be spread over for the four year period, *i.e.* 1-4-1955 to 31-3-1959, as proposed by the Tariff Commission, but adjusted on the basis of the actuals.

The Tariff Commission have, in recommending an increase of Rs. 42 per ton on a weighted average basis, provided for the increase in interest charges levied by the Government of Mysore on sums advanced to the Works. The Government of India consider that this increase need not be allowed.

3. The average increase in the retention price, payable to the Mysore Iron & Steel Works, on the basis of the Tariff Commission's recommendations, for all categories of steel taken together, works out to Rs. 20 per ton on a weighted average basis, after deleting the increase on account of the higher rate of interest charged by the Mysore

(ii)

Government on working capital and excluding the excise duty element. As regards the increase in the retention prices of pig iron recommended by the Tariff Commission, since the cost does not include the element of excise duty, which is levied only on steel ingots, the increase in the retention prices payable to the Company, after excluding the increase resulting from the higher interest rate, will be Rs. 5 per ton.

4. The Government of India have accordingly decided that:

- (i) The average retention price payable to the Mysore Iron & Steel Works for the period from 1-4-1955 to 31-3-1959 and for all categories of steel taken together as per Ministry of Commerce & Industry Resolution No. IS(A)-2(161)/56 dated 16-7-1956 should be increased by Rs. 20 per ton, on a weighted average basis ;
- (ii) Adjustments in regard to the increased excise duty on steel ingots levied from 16-5-1957 will, however, be made only on despatches of steel after that date. On the basis of the incidence of the additional excise duty on finished steel, the adjustment from 16-5-1957 will be at the rate of Rs. 42·85 per ton ;
- (iii) The retention prices payable for all grades of pig iron produced by the Mysore Iron & Steel Works should be increased by Rs. 5 per ton for the period from 1-4-1955 to 31-3-1959 ;
- (iv) As the effect of the increase is not sufficient to warrant any revision on the grade differentials, the differentials in the prices of pig iron of various grades should be maintained at the same level as those recommended by the Tariff Commission in their Report (1956). The fair retention prices of various grades of pig iron produced by the Mysore Iron & Steel Works be as given below :

Standard Grades—High Manganese

ANALYSIS					
Grade	Silicon per cent.	Manganese per cent.	Phosphorus per cent.	Sulphur per cent.	Fair retention prices from 1-4-55 to 31-3-59
1	2	3	4	5	6
					Rs.
Standard foundry 1	2·75—3·25	1·00—1·50	Under 0·40	Under 0·035	200
2	2·25—2·75	Do.	Do.	Under 0·050	193
3	1·75—2·25	Do.	Do.	Do.	186
4	1·50—1·75	Do.	Do.	Do.	182·5

(iii)

1	2	3	4	5	6
					Rs.
Special . . . 4x	1'25—1'50	1'00—1'50	Under 0'35	Under 0'050	179
Special basic . .	1'00—1'25	Do.	Do.	Do.	175'5
Standard basic . .	1'00 and under	Do.	Do.	Do.	172
Low Manganese foundry. 1	2'75—3'25	0'50—1'00	Under 0'40	Under 0'035	197
2	2'25—2'75	Do.	Do.	Under 0'050	190
3	1'75—2'25	Do.	Do.	Do.	183
4	1'50—1'75	Do.	Do.	Do.	179'5
Special . . . 4x	1'25—1'50	Do.	Under 0'35	Do.	176
Low Manganese basic special.	1'00—1'25	Do.	Do.	Do.	172'5
Low Manganese basic.	1.00 and under	Do.	Do.	Do.	169



ORDER

ORDERED that a copy of this Resolution be communicated to all concerned and that it be published in the Gazette of India Extraordinary.

नमो भगवते वासुदेवाय
S. BHOOHALINGAM,

Secretary to the Government of India.

RESOLUTION—PART II

New Delhi, the 8th September, 1959.

No. SC(A)-2(244)/57.—In their letter No. 63(6)-T.R./58 dated the 15th January, 1958, Government of India in the Ministry of Commerce and Industry requested the Tariff Commission to examine the representation of the Mysore Iron & Steel Works, Bhadravati, regarding the fixation of separate conversion charges and retention prices for the $\frac{1}{4}$ " rods in coils produced by them from purchased billets in their strip and Rod Mill. Government also requested the Tariff Commission that in recommending the retention price it should pay due regard to the overall cost of production in other sections of the works. The Tariff Commission having conducted its enquiry have submitted its Report. Their main recommendations are :

- (1) Early steps should be taken to re-assess the capacity of the Strip and Rod Mill ;
- (2) Adjustments for the conversion costs of $\frac{1}{4}$ " rods arising out of excess realisations in those of hoops should remain operative only so long as the prices of baling hoops remain at the present controlled levels ;
- (3) The conversion charges for $\frac{1}{4}$ " rods in coils should take effect from 1st April, 1956. The conversion charges payable to the Works for $\frac{1}{4}$ " rods in coils produced in their Strip and Rod Mill should be as given below :—

From	1-4-56	to	10-6-56	.	.	.	Rs. 148 per ton
From	11-6-56	to	8-3-57	.	.	.	Rs. 144 per ton
From	9-3-57	to	31-3-57	.	.	.	Rs. 143 per ton
From	1-4-57	to	15-5-57	.	.	.	Rs. 160 per ton
From	16-5-57	to	31-3-58	.	.	.	Rs. 168 per ton
From	1-4-58	to	31-12-60	.	.	.	Rs. 154 per ton

- (4) The retention prices for $\frac{1}{4}$ " rods should be as given below and should be varied according to the price of purchased billets :—

From	1-4-56	to	10-6-56	.	.	.	Rs. 571 per ton
From	11-6-56	to	8-3-57	.	.	.	Rs. 551 per ton
From	9-3-57	to	31-3-57	.	.	.	Rs. 554 per ton
From	1-4-57	to	15-5-57	.	.	.	Rs. 571 per ton
From	16-5-57	to	31-3-58	.	.	.	Rs. 645 per ton
From	1-4-58	to	31-12-60	.	.	.	Rs. 631 per ton

- (5) The conversion charges and retention prices payable to the Works should be continued till 31st December, 1960.

(v)

2. The Government of India have given careful consideration to the recommendations of the Tariff Commission and accept these recommendations with one modification in the conversion charges of Rs. 160 and Rs. 168 recommended for the periods from 1-4-57 to 15-5-1957 and 16-5-1957 to 31-3-1958 respectively. Government consider that since the supply position of billets was maintained more or less at the 1956-57 level during these periods also, the rate of return on block per ton should not be higher for these periods but should be at the same level as for the previous periods. The Government of India have accordingly decided that the conversion charges and retention prices for the different periods payable to the Works should be as follows:—

Period	(Rs. per ton) Conversion Charges	Retention prices
1-4-56 to 10-6-56	148	571
11-6-56 to 8-3-57	144	551
9-3-57 to 31-3-57	143	554
1-4-57 to 15-5-57	158	569
16-5-57 to 31-3-58	167	644
1-4-58 to 31-12-60	154	631

ORDER

ORDERED that a copy of this Resolution be communicated to all concerned and that it be published in the Gazette of India Extraordinary.

नमो भगवते वासुदेवाय

S. BHOOTHALINGAM,

Secretary to the Government of India.

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**REPORT ON THE REVISION OF RETENTION PRICES OF
STEEL AND PIG IRON AND ON CONVERSION CHARGES AND
FAIR RETENTION PRICES FOR 1/4" AND 3/6" RODS
PRODUCED BY MYSORE IRON AND STEEL WORKS,
BHADRAVATI**

**PART I REVISION OF RETENTION PRICES OF STEEL AND
PIG IRON**

1. The ex-works retention prices of steel and pig iron payable to Mysore Iron and Steel Works were last fixed by the Government of India in the Ministry of Commerce and Industry Resolution No. IS(A)-2(161)/56 dated 16th July, 1956 as follows :

**Reference to the
Commission.**

Steel :

Rs. 392 per ton from 1st April, 1954 to 31st March, 1955

Rs. 405 per ton from 1st April, 1955 to 31st March, 1959

Foundry grade pig iron :

Rs. 178.5 per ton from 14th November, 1953 to 31st March, 1954

Rs. 197 per ton from 1st April, 1954 to 31st March, 1955

Rs. 195 per ton from 1st April, 1955 to 31st March, 1959

These prices were based on the recommendations in our Report (1956) on Fair Retention Prices (ex-works) of pig iron and steel produced by the Mysore Iron and Steel Works, Bhadravati. We had also stated in paragraph 10.2 of that Report that "if, during the period of price fixation, significant variations take place in the prices of raw materials and stores, freight rates or compulsory charges under any labour welfare schemes initiated by the State, the Works may request for an examination of the matter." Although this statement was not embodied in the Government of India Resolution referred to above, Mysore Iron and Steel Works represented to Government in 1957 that increases in costs affecting its retention prices had taken place. After considering the representation, the Government of India have requested the Commission to examine the question "whether there should be any revision of the retention prices of steel or pig iron *for the future*, to provide for increase of costs resulting from increased cost of raw materials, railway freight, higher excise duty and the increase in the labour costs and administrative overheads." A copy of Government's letter No. 63(3)-TR/58 of 15th January 1958 on the subject is given in Appendix 1. The present inquiry was undertaken in pursuance of this reference.

2.1. The current retention prices for pig iron and steel produced by Mysore Iron and Steel Works were fixed for a period of four years from 1st April, 1955 to 31st March, 1959. The Works in its representation to Government has requested revision in the prices of steel from 1st April, 1956 and of pig iron from 1st April,

**Basis of price re-
vision.**

1957. On examination, it was found that there were decreases in the manufacturing costs of steel and pig iron in 1955-56 due to rebate in the price of coal and resulting from reductions in the Port Commissioner's charges and Coal Miners' Provident Fund Scheme charges which were allowed in our estimates but not incurred by the Works. The prices of purchased scrap were also lower than our estimate as a result of reduced handling and transport charges due to changes in the sources of supply. As the prices have been fixed for a four-year period, we consider that when allowing the increases in certain items of cost, due note should be taken also of the reductions in certain other items and that necessary adjustments should be made both for increases and decreases in cost for the whole period. We have, therefore, taken into account the various increases and decreases in cost that had actually taken place from 1st April, 1955 to 15th January, 1958. The estimates of output, rates of consumption of raw materials and other factors for the period from 1st April, 1955 to 31st March, 1959 as given in our 1956 Report hold valid for the present revision of retention prices of steel and pig iron. For convenience of administration, we propose to indicate the increases in the retention prices of steel and pig iron in the form of average figures for the entire period of price fixation, namely, 1st April, 1955 to 31st March, 1959.

2.2. Shri A. R. Srinivasan, Assistant Cost Accounts Officer, visited the Works and examined the adjustments required in the retention prices of steel and pig iron.

3. The increases in the manufacturing costs of the Works which have taken place subsequent to our last inquiry are discussed below :—

Increases in costs

(i) *Coal and coke*.—Controlled prices of coal were increased by Rs. 3 per ton from 5th July, 1956 and Rs. 1.50 per ton from 8th July 1957. Coke price were simultaneously raised by Rs. 6.50 per ton and Rs. 2.50 per ton.

(ii) *Scrap*.—Controlled prices of scrap were increased by Rs. 15 per ton from 24th March, 1956 and Rs. 25 per ton from 29th September, 1956. This has meant a corresponding adjustment in the valuation of Works' own scrap in use also.

(iii) *Railway freight*.—As from 1st April, 1956 a surcharge of 6.25 per cent. was levied on all goods carried by the railways and this was subsequently raised to 12.5 per cent. with effect from 1st July, 1957. Terminal charges were also raised from 15th October, 1956 by Re. 0.75 per ton. Enhanced sea freight and harbour haulage charges resulted in additions to the price of coal by Rs. 2.69 per ton from 1st October, 1957 and 40 nP. per ton from 1st April, 1957, respectively.

(iv) *Limestone*.—The royalty payable on limestone has been increased from 25 nP. to 37 nP. per ton from 28th February, 1957.

(v) *Refractories*.—The price of refractories was first raised by indigenous manufacturers by 9 per cent. with effect from 5th July, 1956 and by a further 5 per cent. from 15th January, 1958. The Works

consumes local and foreign refractories in the proportion of 60 per cent. and 40 per cent. respectively.

(vi) *Repairs, maintenance and stores.*—On account of supplementary charges on railway freight referred to above, the cost of stores used in repairs and maintenance has increased proportionately. The effect of this increase is Re. 0·25 per ton in the case of steel and Re. 0·09 per ton in the case of pig iron.

(vii) *Wages, salaries and administrative overheads.*—The Works entered into a five-year industrial truce with labour by which existing wages and salaries were raised to the extent of 12 per cent. This was subsequently approved by the Mysore Government. While this revision went into effect from 1st November, 1956, higher rates of dearness allowance became operative from 1st January, 1957 on the promulgation of a general revision of scales of pay and allowances of all Government servants in the State. The extra cost on account of the increased rates of dearness allowance is approximately 3 per cent.

(viii) *Central Sales Tax and Excise Duty.*—As compared with the provisions made by us in our estimates, the incidence of sales tax has increased by Re. 0·16 per ton in the case of coal, Re. 0·13 per ton in the case of coke and Rs. 1·52 per ton in the case of purchased scrap under the Central Sales Tax Act with effect from 1st July, 1957. The increase in the excise duty on steel ingots from Rs. 4 to Rs. 40 per ton which came into force from 16th May, 1957 has raised the cost of steel by Rs. 42·85 per ton.

(ix) *Interest on working capital.*—The Works in its representation claimed that the rate of interest payable on working capital provided by the State Government has increased from 4 per cent. to 5 per cent. with effect from 1st April, 1956. As the practice followed in respect of the rate of interest on working capital to be allowed to the Works has been to adopt the rate at which the Mysore Government advances money to it, we have admitted its claim in determining the increase in the retention prices of pig iron and steel.

4. As against the increases recorded above, there have been small decreases in costs on account of Port Commissioners' and Coal Miners' Provident Fund Scheme charges, rebate in price of coal and transport and handling charges in respect of purchased scrap due to changes in the sources of supply.

5. Increases in the retention prices of steel due to the factors mentioned above have been calculated from the dates they became effective based on an annual output of 27,720 tons, and are shown in the following statement. The average increase during the period of price fixation, viz., 1st April, 1955 to 31st March, 1959 payable to Mysore Iron and Steel Works amounts to Rs. 42 per ton.

MYSORE IRON AND STEEL WORKS, BHADRAVATI

Statement showing the average increase in the retention prices of steel during the period 1955-56 to 1958-59.

Period Estimated production in tons	1955-56		1956-57		1957-58		1958-59		Average 1955 to 1959	
	Total	Per ton	Total	per ton	Total	per ton	Total	per ton	Total	per ton
	amount	amount	amount	amount	amount	amount	amount	amount	amount	amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Price of coal	(-)62,924	(-)2.27	(-)6,098	(-)0.22	1,06,364	3.84	1,39,431	5.03	1,76,773	1.59
2. Price of coke	(-)7,484	(-)0.27	34,650	1.25	76,827	2.77	84,346	3.05	1,88,539	1.70
3. Price of scrap	(-)80,665	(-)2.91	2,66,215	9.61	3,50,242	19.85	5,55,232	20.03	12,91,024	11.65
4. Royalty on limestone . . . . .	..	..	96	..	1,109	0.04	1,109	0.04	2,314	0.02
5. Surcharge on Railway freight on stores used for repairs and maintenance.	..	..	3,326	0.12	6,030	0.22	6,930	0.25	16,286	0.15
6. Price of local refractories . . . . .	..	..	15,785	0.57	24,448	0.88	33,264	1.20	73,497	0.66
7. Wages and salaries including Ad- ministrative overheads.	..	..	73,826	2.66	1,95,149	7.04	1,95,149	7.04	4,61,124	4.19
8. Ex-cise duty . . . . .	..	..	..	..	10,41,255	37.56	11,87,802	42.85	22,29,057	20.10
9. Interest on working capital	(-)4,435	(-)0.16	43,243	1.56	76,784	2.77	81,220	2.93	1,96,812	1.78
TOTAL	(-)1,55,508	(-)5.61	4,31,043	15.55	20,78,208	74.97	22,84,683	82.42	46,38,426	41.84

NOTE.—Items Nos. 1, 2 & 3—the calculations indicated against these items include the elements for increases in railway freight and Central sales tax. They also include the decreases in cost referred to in paragraph 4.

6. The details of the enhanced cost of production of pig iron due to the factors mentioned earlier are shown in the statement on the next page. The calculations are based on saleable pig iron of 32,857 tons for 1955/56 and 59,857 tons per year for the rest of the three years. As a result, the average increase in the retention prices of pig iron payable to Mysore Iron and Steel Works is Rs. 6 per ton during the period of price fixation viz., 1st April, 1955 to 31st March, 1959. The differentials in the prices of pig iron of various grades remain unchanged as the effect of the increase on grade differentials is not significant to warrant revision of those recommended in the 1956 Report.

Increases in the retention prices of pig iron payable to the Works.



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THE MYSORE IRON & STEEL WORKS, BHADRAVATI

Statement showing the average increase in the relation prices of Pig Iron during the period 1955-56 to 1958-59.

Period Estimated production in tons	1955-56		1956-57		1957-58		1958-59		Average 1955-1959	
	Total	per ton	Total	per ton	Total	per ton	Total	per ton	Total	per ton
	32,857	amount	59,857	amount	59,857	amount	59,857	amount	212,428	amount
1. Price of coal	(-)9,200	(-)0.28	(-)1,796	(-)0.03	28,010	0.47	36,513	0.61	53,527	0.25
2. Price of coke	(-)17,414	(-)0.53	1,442,255	2.41	3,20,264	5.35	3,52,558	5.89	7,99,663	3.77
3. Royalty on limestone . . . .	..	..	210	..	2,394	0.04	2,394	0.04	4,998	0.02
4. Surcharge on Railway freight stores used for repairs and maintenance. . . .	..	..	2,395	0.04	4,641	0.08	5,387	0.09	12,423	0.06
5. Wages and Salaries including Administrative Overheads. . . .	..	..	39,085	0.65	1,03,552	1.73	1,03,552	1.73	2,46,189	1.16
6. Interest on working capital . . . .	..	..	37,710	0.63	43,097	0.72	44,294	0.74	1,25,101	0.59
TOTAL	(-)26,614	(-)0.81	2,21,859	3.70	5,01,958	8.39	5,44,698	9.10	12,41,901	5.85

NOTE.—The calculations indicated against items 1 and 2 include element for increases in railway freight and central sales tax. They also include the decreases of cost indicated in paragraph 4.

7. We accordingly recommend (i) that the average retention prices for steel payable to the Mysore Iron and Steel Works for the period 1st April, 1955 to 31st March, 1959 should be increased by Rs. 42 per ton, and

(ii) that the average retention prices for pig iron of all grades payable to the Mysore Iron and Steel Works for the period 1st April, 1955 to 31st March, 1959 should be increased by Rs. 6 per ton.



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PART II—CONVERSION CHARGES AND FAIR RETENTION PRICES FOR 1/4" AND 3/16" RODS

8. This inquiry is undertaken under Section 12(d) of the Tariff Commission Act, 1951, in pursuance of Government of India, Ministry of Commerce and Industry letter No. 63(6)-T.R./58 dated 15th January, 1958 and covers the determination of separate retention prices for 1/4" and 3/16" rods rolled in the strip and rod mill of Mysore Iron and Steel Works. Government also requested the Commission that in recommending the retention prices it should pay due regard to the overall costs of production in other sections of the Works. A copy of Government's letter on the subject is given in Appendix II.

Terms of Reference

9.1. In our 1956 Report on Pig Iron and Steel produced by the Works, we had recommended the retention price for M.S. Sections covering bars rods and structurals on the basis of the cost of ingots produced in its own furnaces. There was no occasion for recommending separate retention prices for 1/4" and 3/16" rods as the Works was using its own steel ingots and thus fell into the category of main producers.

Previous history

9.2. Recently, the Works has started manufacturing from purchased billets appreciable quantities of 1/4" rods which together with 3/16" rods comprise the standard products of the re-rolling industry. The present retention prices payable for these products, however, are the same as for products rolled in its 12" mill, viz., Rs. 405 per ton plus section extra of Rs. 90 per ton in the case of 1/4" coils and Rs. 115 per ton in the case of 3/16" coils. As the purchase price of billets is high in relation to the retention price fixed on a different basis in our 1956 Report, the Works has now requested Government to fix separate retention prices for 1/4" and 3/16" rods produced in its strips and rod mill. In its letter to Government, the Works has requested that since it, like other re-rollers, rolls 1/4" and 3/16" rods from purchased billets only, the conversion cost fixed for other re-rollers in Government of India Resolution No. 3-T(2)/51 dated 22nd April, 1953 may be applied also to the products of the Works.

10.1. The rod and strip mill of Mysore Iron and Steel works is a composite unit capable of producing both bars and rods and/or cotton baling hoops. Except at the finishing stage, the manufacturing process of rods and hoops is common.

Capacity and Production.

10.2. In our Report of 1955 on steel baling hoops, we had adopted, on the assumption that the mill was devoted exclusively to the production of hoops, a capacity of 7,000 tons a year on three shifts. According to the Works, 7,000 tons of baling hoops is equivalent to 8,400 tons of rods.

10.3 Production of rods and hoops in 1956-57 is given below :—

(Tons)				
$\frac{1}{4}$ " Rods	Hoops	In terms of $\frac{1}{4}$ " rods	In terms hoops	of
4,861	5,490	11,931	9,265	

This output was achieved by working 4,517 hours which is approximately equal to two effective shifts a day. Comparing this achievement with the three-shift capacity as given by the Works and recorded above, it is clear that there is a substantial understatement of capacity. We, therefore, recommend that early steps should be taken to reassess the capacity of the strip and rod mill.

10.4. The Works represented that the production of 1956-57 was a peak achievement which was not likely to be repeated in the future. Further the supply position of billets may not continue to be equally favourable. We feel that there is substance in this representation. For future estimates, the production of the Works has been assessed at 4,500 tons of $\frac{1}{4}$ " rods and 4,800 tons of balling hoops. The year 1956-57 has been selected for working out the actual conversion costs based on which future estimates have also been prepared.

11.1. The principal raw material for rolling rods is billets obtained through the Iron and Steel Controller. The Mysore Iron and Steel Works, in addition to purchased billets uses small quantities of its own scrap arisings in the form of scrap billets for the manufacture of $\frac{1}{4}$ " rods. In 1956-57 it was noticed that a small quantity of billets produced by the Works also was converted into $\frac{1}{4}$ " rods. The ratio of purchased, own and scrap billets used in 1956-57 was 92.8, 0.6 and 6.6 respectively. The reference to us from Government is to recommend the retention prices of rods produced from purchased billets only. The retention prices payable to the Works on the production of rods from its own billets and scrap would have to be determined in relation to the cost of manufacture of its own billets and the controlled price of scrap. The cost of the Works' own billets is Rs. 403 per ton and the controlled price of scrap was Rs. 85 per ton upto 31st March, 1957 and Rs. 100 per ton from 1st April, 1957 onwards.

11.2. The controlled price of untested billets was Rs. 422.75 per ton (Rs. 385 plus extra Rs. 37.75) from 1st April, 1956 to 10th June, 1956; Rs. 407 per ton from 11th June, 1956 to 8th March, 1957; and Rs. 411 per ton from 9th March, 1957 to 31st March, 1957. The price of Rs. 411 per ton was continued upto 15th May, 1957 when it was revised to Rs. 477 per ton which is the present controlled price. The conversion charges for $\frac{1}{4}$ " rods produced from purchased billets have been worked out for 1956-57 and 1957-58 onwards on the basis of the billet prices indicated above.

11.3. The yield, heat loss and scrap recovery percentages in respect of the production of $\frac{1}{4}$ " rods as recorded for 1956-57 and as estimated by us for future are given below :

	Percentages	
	1956-57	Future
Yield	86.75	90
Heat Loss	4.00	4
Scrap recovery	9.25	6
TOTAL	100.00	100

11.4. The consumption of coal, coke and power per ton of production is assumed for the future at the same level as in 1956-57. The purchase price of electricity remains unchanged while the price of coal as on 8th July, 1957 is adopted for future. As regards wages and salaries, the remarks made in the previous Section on steel and pig iron hold good for the strip and rod mill also. As the full effect of the revision was not reflected in the 1956-57 costs, suitable adjustment is made in the future estimates for wages and salaries. The provision for renewal of rolls is Rs. 8 per ton both for actuals and future estimates. Depreciation is allowed at normal income-tax rates.

12. Steel baling hoops manufactured by the Works are sold at controlled prices fixed by the Iron and Steel Controller. As baling hoops and $\frac{1}{4}$ " rods were produced in the same mill with the same equipment it was found necessary to work out the total conversion charges to arrive at the allocations for rods as distinct from baling hoops. The conversion charges allocable to baling hoops as calculated by our Cost Accounts Officer were found to be much less than the amount included in the controlled price of baling hoops by the Iron and Steel Controller. Consequently, adjustment of the excess conversion charge realised by the Works on the sale of baling hoops had to be effected in the conversion charges for $\frac{1}{4}$ " rods. The adjustment resulted in reducing the conversion costs of $\frac{1}{4}$ " rods by Rs. 44:30 per ton in 1956-57. In our future estimates, which are based on a production of 4,800 tons of baling hoops and 4,500 tons of $\frac{1}{4}$ " rods, the estimated excess realisation, on the sale of hoops on the basis of the current conversion charges has been taken into account and adjusted in the conversion cost for $\frac{1}{4}$ " rods. In view of the above we recommend that adjustments in the conversion charges of $\frac{1}{4}$ " rods arising out of the excess realisations in those of hoops should remain operative only so long as the price of baling hoops remains at the present controlled levels.

13. We consider that an amount equivalent to 5 months' cost of production is adequate for working capital for the manufacture of $\frac{1}{4}$ " rods. As in the case of pig iron and steel produced by the Works, interest at 5 per cent has been provided on the requirement of working capital. It may be added that this is the rate at which the Mysore Government advances money to the Works.

Adjustment for conversion costs of Baling Hoops.

Interest on working capital.

14. We have allowed a return at 7 per cent on the block capital allocated for the production of rods. This rate is the same as in the case of pig iron and steel.

15.1. The conversion charges payable to the works for the $\frac{1}{4}$ " rods in coils produced by them in their strip and rod mill from purchased billets for the different periods are given in the following statement. In the absence of production, it was not possible to determine the conversion costs for $\frac{3}{16}$ " rods.

	From 1-4-1956 to 10-6-56 on the basis of billet Price at Rs. 422.75 per ton	From 11-6-1956 to 8-3-57 on the basis of billet Price at Rs. 407 per ton	From 9-3-1957 to 31-3-57 on the basis of billet Price at Rs. 411 per ton	From 1-4-1957 to 15-5-57 on the basis of billet Price at Rs. 411 per ton	From 16-5-1957 on the basis of bil- let price at Rs. 477 per ton
	Rs. (per ton)	Rs. (per ton)	Rs. (per ton)	Rs. (per ton)	Rs. (per ton)
1. Gross value of metal loss . . .	64.60	62.19	62.80	45.66	52.99
Less credit for recovery . . .	8.60	9.28	10.67	6.67	6.67
Net value of metal loss . . .	56.00	52.91	52.13	38.99	46.32
2. Above metal cost including depreciation.	109.48	109.48	109.48	120.11	120.11
Less adjustment for excess re- alisation on Baling Hoops.	44.30	44.30	44.30	26.91	26.91
Net above metal cost . . .	65.18	65.18	65.18	93.20	93.20
3. Conversion cost (1+2) . . .	121.78	118.09	117.31	132.19	139.52
4. Interest on working capital . . .	11.14	10.73	10.30	11.12	12.65
5. Return on block capital . . .	17.12	17.12	17.12	18.50	18.50
6. FAIR CONVERSION COSTS	150.04	145.94	145.23	161.81	170.67
Say Rs. . .	150	146	145	162	171

The above conversion costs should take effect from 1st April, 1956.

15.2. The fair ex-works retention prices payable to the Works for $\frac{1}{4}$ " rods in coils produced from purchased billets based on the above conversion costs are given below from the dates they became effective :—

	Rs.
From 1-4-1956	573 per ton
From 11-6-1956	553 "
From 9-3-1957	556 "
From 1-4-1957	573 "
From 16-5-1957	648 "

The above prices should be varied in future according to the prices of purchased billets.

15.3 The conversion costs and retention prices recommended for the future should remain in force till 31st December, 1960.

16. Our conclusions and recommendations are summarised below:—

Summary of conclusions and recommendations.

(i) Early steps should be taken of the strip and rod mill to reassess the capacity.

[Paragraph 10.3]

(ii) Adjustments for the conversion cost of $\frac{1}{4}$ " rods arising out of excess realisations in those of hoops should remain operative only so long as the prices of baling hoops remain at the present controlled levels.

[Paragraph 12.]

(iii) The conversion charges for $\frac{1}{4}$ " rods in coils should take effect from 1st April, 1956. The conversion charges payable to the Works for $\frac{1}{4}$ " rods in coils produced in their strip and rod mill should be as given in the statement in paragraph 15.1.

(iv) The retention prices for $\frac{1}{4}$ " rods are as given in paragraph 15.2 and should be varied according to the price of purchased billets.

(v) The conversion charges and retention prices payable to the Works should be continued till 31st December, 1960.

[Paragraph 15.3]

Acknowledgments 17. We wish to acknowledge the co-operation we have received from the Mysore Iron and Steel Works in carrying out this inquiry.

C. RAMASUBBAN,
Chairman.

S. K. MURANJAN,
Member.

J. N. DUTTA,
Member.

R. S. BHATT,
Member,

RAMA VARMA,
Secretary.

BOMBAY,
Dated 13th June, 1958.

APPENDIX I

[vide paragraph 1]

No. 63(3)-T.R./58

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
(DEPTT. OF HEAVY INDUSTRIES)

To

New Delhi, the 15th January, 1958.

The Secretary,
Tariff Commission,
C.G.O. Building,
101, Queen's Road,
BOMBAY-1.

*Subject:—*Revision of retention prices of pig iron and steel produced by the Mysore Iron and Steel Works.

Sir,

In their Resolution No. SG(A)-2(161)/55, dated the 16th July, 1956, the Government of India in the Ministry of Commerce and Industry announced their decision accepting the recommendations of the Tariff Commission on the retention prices payable to the Mysore Iron and Steel Works for the period from 1-4-1955 to 31-3-1959. The Mysore Iron and Steel Works have represented to this Ministry that the cost of production has increased due to increase in cost of raw materials i.e., lime stone, scrap, coal and coke, increase in salaries and wages, railway freight, repairs and maintenance charges, overheads, and increase due to the incidence of the recent enhanced excise duty on steel ingots. The present request of the Mysore Iron and Steel Works for increase in their retention prices is based on the recommendation of the Tariff Commission in para 10(2) of their Report of 1956. While recommending that the retention prices should remain in force upto 31-3-1960, the Tariff Commission also stated that "if during the period of price fixation significant variations take place in the price of raw materials and stores, freight rates or compulsory charges under any labour welfare schemes initiated by the State, the works may request for an examination of the matter".

2. The break up of the increases asked for by the Mysore Iron and Steel Works shows that the increases fall into three groups, viz.,

- (a) Increase in cost resulting from increased cost of raw materials, freight and excise duty,
- (b) Increase in cost resulting from higher wages and administrative overheads, and
- (c) Increase in cost resulting from an increase in the interest rate on working capital.

3. The Mysore Iron and Steel Works have also represented for the inclusion in the price an element for meeting the cost of expansion programme, as in the case of Tatas and IISCO, and have asked for a provision of Rs. 1 crore for expansion works.

4. The requests made by the Mysore Iron and Steel Works have been carefully considered by the Government of India. The Tariff Commission have already allowed interest on working capital at 4% on the ground that the Mysore Government have been advancing money to the Works at that rate. In terms of this recommendation, it is considered that there is no need to provide for the increase resulting from higher interest rate on working capital charged by the Government of Mysore.

The Tariff Commission recommended in 1952, that the entire surplus left over after payment of interest on fixed capital, should be credited to the Reserve fund. The recommendation was repeated in their 1956 Report also. In the absence of a separate balance sheet for steel, Government of India are unable to know what the Works' own resources are for financing its expansion programme. Government of India have approved a steel expansion programme for Mysore Iron and Steel Works estimated to cost about Rs. 4 crores and they are financing the schemes. Government of India, therefore, consider that there is no special need for the inclusion in the retention price of an element for financing partially the works' expansion plans.

5. I am to say that the Government of India are of the opinion that the question whether there should be any revision of the retention prices of steel and pig iron for the future, to provide for increase of costs resulting from increased cost of raw materials, railway freight, higher excise duty and the increase in the labour costs and administrative overheads, requires examination by the Tariff Commission. The Tariff Commission is therefore, requested under Section 12(d) of the Tariff Commission Act, 1951, to conduct the necessary enquiries on the retention prices of steel and pig iron payable to the Mysore Iron and Steel Works upto 31-3-1959, and submit its recommendation to Government, as early as possible.

6. A copy of letter Nos. A/Cost/DR/1761, dated 12-6-1957 and A/Cost/DR/3414, dated 12-8-1957 is enclosed for reference.*

Yours faithfully,

(Sd)/ K. C. MADAPPA

Deputy Secretary to the Govt. of India.



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*Enclosures not reproduced.

APPENDIX II

[*vide* paragraph 8]

No. 63(6)-T.R./58

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY.
(DEPTT. OF HEAVY INDUSTRIES)

New Delhi, the 15th January, 1958

To

The Secretary,
Tariff Commission,
C.G.O. Building, Queen's Road,
BOMBAY 1.

*Subject:—*Fixation of retention price for 1/4" and 3/16" rods produced by the Mysore Iron and Steel Works, Bhadravati, out of purchased billets.

Sir,

I am directed to refer to this Ministry's letter No. 63(3)-T.R./58, dated 15th January, 1958, regarding the revision of retention prices of pig iron and steel produced by the Mysore Iron and Steel Works and to say that they have also represented that separate retention prices for 1/4" and 3/16" rods rolled by the Works out of purchased billets in the Strip and Rod Mill should also be fixed on the same basis as in the case of Registered Re-roller. A copy of the Mysore Iron and Steel Works letter No. A/Cost/DR/2181, dated 2nd July, 1957, is enclosed.*

2. The Tariff Commission recommended retention price for Bars, Rods and Structural produced by the Mysore Iron and Steel Works on the basis of the cost of ingots produced in the Works own furnace and no separate retention price was fixed for 1/4" and 3/16" rods produced by the Works from *purchased billets* in the Strip and Rod Mill. The retention prices payable now to the rods produced in this mill are the same as for rods of 3/4" and above rolled in their 12" Mill. The reason behind the request for a higher price is that they have to use purchased billets.

3. The request made by the Mysore Iron and Steel Works has been carefully considered by the Government of India. The Tariff Commission is at present enquiring into the conversion cost and wastage of Registered Re-rollers. I am to say that the Government of India consider that the question of fixing a separate retention price for 1/4" and 3/16" bars rolled in the Strip and Rod Mill requires examination by the Tariff Commission. The Tariff Commission is, therefore, requested under Section 12(d) of the Tariff Commission Act, 1951, to conduct the necessary enquiries into the conversion cost for the rods produced in the Strip and Rod Mill of the Mysore Iron and Steel Works having regard to the overall costs of production in the other sections of the Works also and submit its recommendation to Government, as early as possible.

Yours faithfully,

(Sd) K. C. MADAPPA

Deputy Secretary to the Govt. of India.

*Enclosure not reproduced.



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